

GUTHRIE COUNTY HOSPITAL
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2013 AND 2012

GUTHRIE COUNTY HOSPITAL

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GUTHRIE COUNTY HOSPITAL
Officials
June 30, 2013

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Roberta Simmons, Chairperson	Panora, Iowa	2018
Rodney Carr, Vice-Chairperson	Guthrie Center, Iowa	2014
Peg Shroyer, Secretary	Panora, Iowa	2014
Jim Robson, Treasurer	Guthrie Center, Iowa	2018
Chris Schafer	Adair, Iowa	2016
Mary Sheeder	Guthrie Center, Iowa	2016
Gene Newell	Guthrie Center, Iowa	2016
 <u>Chief Executive Officer:</u>		
Patrick Peters (began July, 2013)	Dexter, Iowa	
Gerald Neal (resigned December, 2012)	Guthrie Center, Iowa	
 <u>Chief Financial Officer:</u>		
Melinda Alt	Audubon, Iowa	

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

Report on the Financial Statements

We have audited the accompanying statements of net position of Guthrie County Hospital as of June 30, 2013 and 2012 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Trustees
Guthrie County Hospital

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Bases for Qualified Opinion

The financial statements do not include an estimate of an Other Post Employment Benefits (OPEB) liability for an implicit health insurance premium rate subsidy resulting from the legal requirement to allow employees retiring after age 55 to remain on the Hospital's healthcare plan until age 65. Accounting principles generally accepted in the United States of America require that any material liability resulting from this OPEB requirement be included in the financial statements (Note J).

The financial statements do not include financial data for the Hospital's legally separate component unit, Guthrie County Hospital Foundation. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Hospital unless the Hospital also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Hospital has not issued such reporting entity financial statements (Note A).

Qualified Opinion

In our opinion, except for the effect of not including an estimated OPEB liability for the implicit health insurance premium rate subsidy and the effect of omitting the blended component unit, as discussed in the previous section, the financial statements referred to above present fairly in all material respects, the financial position of Guthrie County Hospital as of June 30, 2013 and 2012 and the results of its operations, changes in financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 3 through 3g and on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Guthrie County Hospital's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed qualified opinions on those financial statements. The supplementary information on pages 1 and 21 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Trustees
Guthrie County Hospital

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2013 on our consideration of Guthrie County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Granovold, Bell, Hyman & W. P.C.

Atlantic, Iowa
September 20, 2013



The expertise you need. The personal care you want.

GUTHRIE COUNTY HOSPITAL Management's Discussion and Analysis

Our discussion and analysis of Guthrie County Hospital's financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider it in conjunction with the Hospital's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Hospital's total assets decreased approximately \$78,000 during fiscal year 2013. Net position, or total assets net of total liabilities, increased by approximately \$181,000 during fiscal 2013, an increase of approximately 1.8 percent.

The Hospital reported operating revenues for the year of \$12.9 million, an increase of approximately \$272,000 or 2.1 percent. Net revenues, or revenues after all expenditures, for 2013 were \$(367,901), a decrease of \$614,860 from 2012.

The Hospital reported expenditures for the year of \$14.8 million, an increase of approximately \$987,000 or 7.2 percent.

USING THIS ANNUAL REPORT

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. The Hospital's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These statements offer short-term and long-term financial information about its activities.

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Therefore, all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

The first two statements report the Hospital's net position and changes in it. You can think of the Hospital's net position - the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, to assess the overall health of the Hospital. Such non-financial factors could include changes in the Hospital's patient base, measures of the quality of service it provides to the community, and local economic factors, as well as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting.

The Statements of Net Position include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

These financial statements and related notes also provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

THE HOSPITAL'S NET POSITION

The Hospital's net position is the difference between its assets and liabilities reported in the Statement of Net Position on page 4. The following table, Table 1, presents a summary of the Hospital's Statements of Net Position.

Table 1
Condensed Statements of Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Current assets	\$ 5,166,519	\$ 6,066,554	\$ 5,707,376
Capital assets, net	11,668,217	10,825,265	11,070,142
Other noncurrent assets	<u>121,844</u>	<u>142,832</u>	<u>168,820</u>
Total assets	<u>\$ 16,956,580</u>	<u>\$ 17,034,651</u>	<u>\$ 16,946,338</u>
Liabilities:			
Current liabilities	\$ 3,416,359	\$ 3,075,833	\$ 3,108,513
Long-term debt	<u>3,266,354</u>	<u>3,865,991</u>	<u>3,997,500</u>
Total liabilities	6,682,713	6,941,824	7,106,013
Net Position:			
Invested in capital assets, net of related debt	7,542,508	6,301,704	6,250,364
Restricted - expendable	243,435	241,072	242,391
Unrestricted	<u>2,487,924</u>	<u>3,550,051</u>	<u>3,347,570</u>
Total net position	<u>10,273,867</u>	<u>10,092,827</u>	<u>9,840,325</u>
Total liabilities and net position	<u>\$ 16,956,580</u>	<u>\$ 17,034,651</u>	<u>\$ 16,946,338</u>

A significant component of the change in the Hospital's assets is the cash balance as the construction projects have been completed. See related discussion in the CAPITAL ASSETS AND DEBT ADMINISTRATION section.

The most significant component of the change in the Hospital's liabilities was an increase in accounts payable related to capital items.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION

The following table, Table 2, presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2013, 2012, and 2011.

Table 2
Condensed Operating Results and Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenue:			
Net patient service revenue	\$ 12,722,643	\$ 12,483,980	\$ 11,690,655
Other revenue	<u>223,059</u>	<u>189,792</u>	<u>201,746</u>
Total revenue	<u>12,945,702</u>	<u>12,673,772</u>	<u>11,892,401</u>
Expenses:			
Salaries and benefits	8,811,103	8,088,782	8,033,594
Professional fees	715,590	817,068	588,830
Supplies, contract services, equipment & other operating expenses	<u>3,997,267</u>	<u>3,683,623</u>	<u>3,278,182</u>
Depreciation and amortization	<u>1,239,214</u>	<u>1,187,178</u>	<u>1,038,180</u>
Total expenses	<u>14,763,174</u>	<u>13,776,651</u>	<u>12,938,786</u>
Operating Loss	<u>(1,817,472)</u>	<u>(1,102,879)</u>	<u>(1,046,385)</u>
Nonoperating Revenues and Expenses:			
County taxes	1,583,731	1,477,231	1,421,696
Investment income	2,705	7,528	6,003
Noncapital grants and contributions	24,475	47,900	30,133
Interest expense	(165,704)	(182,821)	(156,603)
Other nonoperating revenues and expenses, net	<u>4,364</u>	<u>--</u>	<u>(12,472)</u>
	<u>1,449,571</u>	<u>1,349,838</u>	<u>1,288,757</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	<u>(367,901)</u>	<u>246,959</u>	<u>242,372</u>
Capital Grants and Contributions	<u>548,941</u>	<u>5,543</u>	<u>761,621</u>
Increase in net position	181,040	252,502	1,003,993
Net Position Beginning of Year	<u>10,092,827</u>	<u>9,840,325</u>	<u>8,836,332</u>
Net Position End of Year	<u>\$ 10,273,867</u>	<u>\$ 10,092,827</u>	<u>\$ 9,840,325</u>

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING LOSSES

The first component of the overall change in the Hospital's net position is its operating loss - generally, the difference between net patient service revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss. This is consistent with the Hospital's entire operating history. The Hospital's operations were begun in 1951 as a county hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents. In the current fiscal year operating losses have increased.

Management's goal in 2013 was to continue the effort to increase the volume of patients treated while positioning the Hospital and clinics to capture a greater portion of the Guthrie County health care market. Efforts continued to make the community more aware of the services provided at the Hospital.

In 2013 significant time and money investments were made to continue the process of positioning the Hospital to be more competitive in the primary and secondary health care market. During the year, we continued to market the family practice clinic in Stuart which opened in late 2011. Our new pediatrician also started seeing patients in July 2012 at our family practice clinic locations.

The primary components of these increased operating losses were:

An increase in net operating revenues of \$272,000 or 2.1%, coupled with an increase in operating expenses of \$986,500 or 7.2%.

Increases in salary and benefit costs for the Hospital's employees (\$722,321 or 8.9% in 2013 and \$55,188 or .7% in 2012). This increase is due to the continued adjustments made in salaries to match market conditions and for increased services.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues consist primarily of property taxes levied by the Hospital, interest income reported as investment earnings, and non capital grants and contributions.

The Hospital's Non-operating Revenues and Expenses increased by \$99,733 comparing fiscal 2013 versus 2012.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital actively seeks contributions through its Foundation and continues to explore applicable grant opportunities. During 2011, the Hospital was awarded a three year Broadband Technology Opportunities Program (BTOP) grant. The Hospital received \$482,047 from the BTOP grant in 2013.

THE HOSPITAL'S CASH FLOW

Changes in the Hospital's cash flows are consistent with changes in operating losses and non-operating revenues and expenses, as discussed earlier. Cash flows used in operating activities for 2013 were \$770,448. Comparatively, for fiscal 2012, cash flows provided by operating activities were \$215,870, a net change of \$986,318.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2013 was prepared on the modified accrual basis. Actual budget basis revenues were lower than the budgeted amount of \$17,196,370 by \$2,086,452 or about 12.1 percent. Actual expenditures were lower than budgeted expenditures as well. Actual budget basis expenditures were \$14,921,461 as compared to budgeted expenditures of \$16,327,500, a difference of \$1,406,039 or about 8.6 percent.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

During the fiscal year, the Hospital made capital investments totaling \$2,074,749. The following table, Table 3, presents a list of significant capital items:

**Table 3
Capital Investments**

<u>Capital Investments</u>	<u>Vendor</u>	<u>Department</u>	<u>2012 Cost</u>
Stuart Clinic	Badding Construction	Clinic	\$ 1,057,741
Electronic Health Record	Healthland	Various	548,576
Olympus	Endoscopy Equipment	Surgery	156,800

Capital assets for the years ended June 30, 2013, 2012, and 2011 are shown in the following table, Table 4:

**Table 4
Capital Assets**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 1,243,585	\$ 1,243,585	\$ 1,233,274
Buildings	11,734,497	10,641,722	10,613,019
Fixed equipment	2,077,409	1,975,713	1,970,543
Major movable equipment	<u>5,731,286</u>	<u>4,961,362</u>	<u>4,741,325</u>
Subtotal	20,786,777	18,822,382	18,558,161
Less accumulated depreciation	9,250,936	8,184,955	7,528,133
Construction in progress	<u>132,376</u>	<u>187,838</u>	<u>40,114</u>
Net capital assets	<u>\$ 11,668,217</u>	<u>\$ 10,825,265</u>	<u>\$ 11,070,142</u>

Net capital assets decreased as the Hospital has recently completed projects and current year depreciation exceeded current year acquisitions.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

Debt:

At year-end, the Hospital had \$3,865,990 in short-term and long-term debt. The total debt amount decreased by \$618,471 in fiscal year 2013. More detailed information about the Hospital's long-term liabilities is presented in the notes to the basic financial statements.

Total debt outstanding represents approximately 22.8% of the Hospital's total assets at June 30, 2013.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.

GUTHRIE COUNTY HOSPITAL
Statements of Net Position
June 30,

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash	\$ 536,512	\$ 1,939,153
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$764,000 in 2013, \$468,000 in 2012)	1,979,001	1,308,606
Other receivables	181,715	22,326
Inventory	304,675	310,851
Prepaid expense	231,934	212,268
Other current assets	20,541	22,008
Estimated third-party payor settlements	128,900	480,500
Succeeding year property tax receivable	1,539,000	1,529,000
Internally designated assets	<u>244,241</u>	<u>241,842</u>
Total current assets	5,166,519	6,066,554
Designated and Restricted Assets:		
Internally designated assets	806	770
Restricted assets	<u>243,435</u>	<u>241,072</u>
	244,241	241,842
Less amounts required to meet current liabilities	<u>244,241</u>	<u>241,842</u>
	--	--
Capital Assets:		
Depreciable capital assets, net	11,422,850	10,524,436
Non-depreciable capital assets	<u>245,367</u>	<u>300,829</u>
	11,668,217	10,825,265
Other Assets:		
Notes Receivable	67,857	81,428
Other	<u>53,987</u>	<u>61,404</u>
	121,844	142,832
Total assets	<u>\$ 16,956,580</u>	<u>\$ 17,034,651</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET POSITION

	<u>2013</u>	<u>2012</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 599,636	\$ 618,470
Accounts payable	655,554	362,405
Accrued employee compensation	578,017	528,402
Payroll taxes withheld and accrued	43,945	37,286
Accrued interest payable	207	270
Deferred succeeding year property tax	<u>1,539,000</u>	<u>1,529,000</u>
Total current liabilities	3,416,359	3,075,833
Long-Term Debt:		
Note payable, less current maturities	--	7,500
Revenue bonds, less current maturities	3,000,000	3,480,000
Capital lease obligation, less current maturities	<u>266,354</u>	<u>378,491</u>
Total long-term debt	3,266,354	3,865,991
Total liabilities	6,682,713	6,941,824
Net Position:		
Invested in capital assets, net of related debt	7,542,508	6,301,704
Restricted - expendable	243,435	241,072
Unrestricted	<u>2,487,924</u>	<u>3,550,051</u>
Total net position	10,273,867	10,092,827
 Total liabilities and net position	 <u>\$ 16,956,580</u>	 <u>\$ 17,034,651</u>

GUTHRIE COUNTY HOSPITAL
Statements of Revenues, Expenses and Changes in Net Position
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Revenue:		
Net patient service revenue	\$ 12,722,643	\$ 12,483,980
Other revenue	<u>223,059</u>	<u>189,792</u>
Total revenue	12,945,702	12,673,772
Expenses:		
Nursing service	3,513,456	3,247,176
Other professional service	4,540,877	4,437,510
Physician services	1,910,711	1,469,600
General service	1,286,094	1,251,442
Fiscal and administrative service	2,272,822	2,183,745
Provision for depreciation	1,231,797	1,179,762
Amortization	<u>7,417</u>	<u>7,416</u>
Total expenses	<u>14,763,174</u>	<u>13,776,651</u>
Operating Loss	(1,817,472)	(1,102,879)
Non-Operating Revenues (Expenses):		
County taxes	1,583,731	1,477,231
Investment income	2,705	7,528
Noncapital grants and contributions	24,475	47,900
Gain on disposal of assets	4,364	--
Interest expense	<u>(165,704)</u>	<u>(182,821)</u>
Non-operating revenues, net	<u>1,449,571</u>	<u>1,349,838</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	(367,901)	246,959
Capital Grants and Contributions	<u>548,941</u>	<u>5,543</u>
Increase in Net Position	181,040	252,502
Net Position Beginning of Year	<u>10,092,827</u>	<u>9,840,325</u>
Net Position End of Year	<u>\$ 10,273,867</u>	<u>\$ 10,092,827</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 12,401,597	\$ 12,652,550
Cash paid to suppliers	(6,907,507)	(6,670,222)
Cash paid to employees	(6,487,597)	(5,956,250)
Other revenue	<u>223,059</u>	<u>189,792</u>
Net cash provided by (used in) operating activities	(770,448)	215,870
Cash flows from non-capital financing activities:		
County tax revenue	1,583,731	1,477,231
Noncapital grants and contributions	<u>30,089</u>	<u>37,797</u>
Net cash provided by non-capital financing activities	1,613,820	1,515,028
Cash flows from capital and related financing activities:		
Capital grants and contributions	386,189	380,008
Capital expenditures	(816,817)	(173,030)
Construction in progress expenditures	(1,035,817)	(462,897)
Proceeds from disposal of assets	4,364	--
Principal paid on long-term debt	(510,000)	(510,000)
Principal paid on capital leases	(108,471)	(80,589)
Interest paid	<u>(165,767)</u>	<u>(182,551)</u>
Net cash used in capital and related financing activities	(2,246,319)	(1,029,059)
Cash flows from investing activities:		
Investment income	2,705	7,528
Change in designated and restricted assets	<u>(267)</u>	<u>1,706</u>
Net cash provided by investing activities	2,438	9,234
Net increase (decrease) in cash and cash equivalents	(1,400,509)	711,073
Cash and cash equivalents at beginning of year	<u>1,940,521</u>	<u>1,229,448</u>
Cash and cash equivalents at end of year	<u>\$ 540,012</u>	<u>\$ 1,940,521</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents in current assets	\$ 536,512	\$ 1,939,153
Cash and cash equivalents in designated and restricted assets	<u>3,500</u>	<u>1,368</u>
Total cash and cash equivalents	<u>\$ 540,012</u>	<u>\$ 1,940,521</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$(1,817,472)	\$(1,102,879)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	1,231,797	1,179,762
Salaries and wages capitalized	(1,496)	(4,586)
Amortization	20,988	25,988
Change in assets and liabilities		
Accounts receivable	(672,646)	236,070
Inventory	6,176	(16,820)
Prepaid expense	(19,666)	(68,043)
Other current assets	1,467	1,120
Estimated third-party payor settlements	351,600	(67,500)
Accounts payable, trade	72,530	33,990
Accrued employee compensation	49,615	(10,068)
Payroll taxes withheld and accrued	6,659	8,836
Total adjustments	<u>1,047,024</u>	<u>1,318,749</u>
Net cash provided by (used in) operating activities	<u>\$(770,448)</u>	<u>\$ 215,870</u>

Non-Cash Transaction:

The Hospital also incurred the following non-cash transaction in addition to the transactions reflected in the reconciliation of operating loss to net cash provided by (used in) operating activities:

	<u>2013</u>	<u>2012</u>
Capital lease was entered into for the purchase of equipment	<u>\$ --</u>	<u>\$ 567,550</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Guthrie County Hospital (the Hospital) is a critical access county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified one component unit: Guthrie County Hospital Foundation (the Foundation). Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital. The Hospital received \$1,500 in capital contributions from the Foundation during the year ended June 30, 2013 (\$5,243 in 2012). Blending of the Foundation with the Hospital would result in an increase in total net position of approximately \$176,000 (\$147,000 in 2012) and an increase in the change in net position of approximately \$29,000 (\$30,000 in 2012) for the year ended June 30, 2013.

2. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

5. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

6. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

7. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of two years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to forty years for buildings and land improvements and three to twenty years for equipment).

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital capitalized no interest cost in either 2013 or 2012.

9. Compensated Absences

Hospital employees earn vacation days at varying rates depending on years of service. Vacation time accumulates to a maximum of 150% of an employee's annual vacation time earned. Any excess accumulated over the maximum is to be used within 90 days. Certain employees have been allowed to accrue more than the maximum allowed vacation because these employees are unable to use their vacation due to their departments being understaffed. The computed amount of vacation benefits earned by year end is recorded as part of accrued employee compensation.

10. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

11. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

12. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

13. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

14. Restricted Resources

Use of restricted or unrestricted resources for individual projects is determined by the Hospital Board of Trustees based on the facts regarding each specific situation.

15. Net Position

Net position of the Hospital is reported in the following three categories. *Invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* consists of noncapital assets that must be used for a particular purpose or permanent endowments, as specified by creditors, grantors, or contributors external to the Hospital. *Unrestricted net position* consists of the remaining net position that does not meet the definition of *invested in capital assets net of related debt* or *restricted*.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

16. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

17. Accounting Changes

In June, 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities. This statement is effective for the Hospital for 2012-2013. The Hospital has assessed the financial statement impact of adopting this statement and its impact is not material.

The GASB has issued GASB Statement No. 65 *"Items Previously Reported as Assets and Liabilities"* and GASB Statement No. 66 *"Technical Corrections - 2012."* No. 65 specifies proper accounting treatment for certain items and helps clarify the items that should be included under the categories established under Statement No. 63. No. 66 resolves conflicting guidance that resulted from previously issued Statements No. 54 and No. 62. The Hospital has elected to early implement these Statements, which are required to be implemented in the 2013-2014 year. The Hospital has assessed the financial statement impact of adopting these statements and concluded their impact is not material.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid - Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2011 (Medicaid through June 30, 2010). However, finalized cost reports are subject to re-opening by the intermediaries within three years after the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE C - RESTRICTED NET POSITION

Restricted expendable assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Long-term debt	\$ 240,439	\$ 240,076
Purchase of property and equipment	<u>2,996</u>	<u>996</u>
	<u>\$ 243,435</u>	<u>\$ 241,072</u>

The Hospital has no restricted non-expendable assets or endowments at June 30, 2013 or 2012.

Following is a summary of the use of temporarily restricted assets during the year ended June 30:

	<u>2013</u>	<u>2012</u>
Purchase of property and equipment	\$ 546,941	\$ 5,243
Payment of long-term debt	<u>--</u>	<u>1,619</u>
	<u>\$ 546,941</u>	<u>\$ 6,862</u>

NOTE D - DESIGNATED ASSETS

Of the \$2,433,937 (\$3,488,647 as of June 30, 2012) of unrestricted net position as of June 30, 2013, \$806 (\$770 for 2012) has been designated by the Hospital's Board of Trustees for capital acquisitions. These assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2013 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE E - DEPOSITS AND INVESTMENTS - Continued

The composition of designated and restricted assets is as follows:

	<u>2013</u>	<u>2012</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ 504	\$ 372
GNMA pool	<u>302</u>	<u>398</u>
	<u>\$ 806</u>	<u>\$ 770</u>
Restricted Assets:		
Certificates of deposit	\$ 240,439	\$ 240,076
Cash and cash equivalents	<u>2,996</u>	<u>996</u>
	<u>\$ 243,435</u>	<u>\$ 241,072</u>

The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2013 and 2012, was as follows:

	<u>2013</u>	<u>2012</u>
Receivable from:		
Patients	\$ 773,006	\$ 434,320
Medicare	990,754	662,686
Medicaid	78,198	68,127
Wellmark	401,410	246,916
Other commercial insurance carriers	<u>499,633</u>	<u>364,557</u>
	2,743,001	1,776,606
Less allowances for doubtful accounts and contractual adjustments	<u>764,000</u>	<u>468,000</u>
	<u>\$ 1,979,001</u>	<u>\$ 1,308,606</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2013 and 2012 were as follows:

<u>Cost</u>	<u>Balance 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2013</u>
Land Improvements	\$ 1,130,594	\$ --	\$ --	\$ 1,130,594
Buildings	10,641,722	1,092,775	--	11,734,497
Fixed Equipment	1,975,713	101,696	--	2,077,409
Major Movable Equipment	<u>4,961,362</u>	<u>935,740</u>	<u>165,816</u>	<u>5,731,286</u>
	18,709,391	2,130,211	165,816	20,673,786
<u>Depreciation</u>				
Land Improvements	423,655	67,173	--	490,828
Buildings	3,900,037	401,002	--	4,301,039
Fixed Equipment	1,173,215	103,060	--	1,276,275
Major Movable Equipment	<u>2,688,048</u>	<u>660,562</u>	<u>165,816</u>	<u>3,182,794</u>
Total Depreciation	<u>8,184,955</u>	<u>1,231,797</u>	<u>165,816</u>	<u>9,250,936</u>
Total Depreciable Capital Assets, Net	<u>\$ 10,524,436</u>	<u>\$ 898,414</u>	<u>\$ --</u>	<u>\$ 11,422,850</u>
Construction in Progress	\$ 187,838	\$1,037,313	\$1,092,775	\$ 132,376
Land	<u>112,991</u>	<u>--</u>	<u>--</u>	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 300,829</u>	<u>\$1,037,313</u>	<u>\$1,092,775</u>	<u>\$ 245,367</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2012</u>
Land Improvements	\$ 1,130,594	\$ --	\$ --	\$ 1,130,594
Buildings	10,613,019	28,703	--	10,641,722
Fixed Equipment	1,970,543	5,170	--	1,975,713
Major Movable Equipment	<u>4,741,325</u>	<u>742,977</u>	<u>522,940</u>	<u>4,961,362</u>
	18,455,481	776,850	522,940	18,709,391
<u>Depreciation</u>				
Land Improvements	352,924	70,731	--	423,655
Buildings	3,506,073	393,964	--	3,900,037
Fixed Equipment	1,020,901	152,314	--	1,173,215
Major Movable Equipment	<u>2,648,235</u>	<u>562,753</u>	<u>522,940</u>	<u>2,688,048</u>
Total Depreciation	<u>7,528,133</u>	<u>1,179,762</u>	<u>522,940</u>	<u>8,184,955</u>
Total Depreciable Capital Assets, Net	<u>\$ 10,927,348</u>	<u>\$ (402,912)</u>	<u>\$ --</u>	<u>\$ 10,524,436</u>
Construction in Progress	\$ 40,114	\$ 166,306	\$ 18,582	\$ 187,838
Land	<u>102,680</u>	<u>10,311</u>	<u>--</u>	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 142,794</u>	<u>\$ 176,617</u>	<u>\$ 18,582</u>	<u>\$ 300,829</u>

NOTE H - NON-CURRENT LIABILITIES

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2013 and 2012 follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2013</u>	<u>Current Portion</u>
Long-Term Debt:					
Rural Economic Development Loan	\$ 37,500	\$ --	\$ 30,000	\$ 7,500	\$ 7,500
Series 2006 Revenue Bonds	1,400,000	--	160,000	1,240,000	160,000
Series 2009 Revenue Bonds	2,560,000	--	320,000	2,240,000	320,000
Capital Lease Obligation	<u>486,961</u>	<u>--</u>	<u>108,471</u>	<u>378,490</u>	<u>112,136</u>
Total Non-Current Liabilities	<u>\$4,484,461</u>	<u>\$ --</u>	<u>\$ 618,471</u>	<u>\$3,865,990</u>	<u>\$ 599,636</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE H - NON-CURRENT LIABILITIES - Continued

	<u>Balance 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2012</u>	<u>Current Portion</u>
Long-Term Debt:					
Rural Economic					
Development Loan	\$ 67,500	\$ --	\$ 30,000	\$ 37,500	\$ 30,000
Series 2006 Revenue					
Bonds	1,560,000	--	160,000	1,400,000	160,000
Series 2009 Revenue					
Bonds	2,880,000	--	320,000	2,560,000	320,000
Capital Lease Obligation	<u>--</u>	<u>567,550</u>	<u>80,589</u>	<u>486,961</u>	<u>108,470</u>
Total Non-Current					
Liabilities	<u>\$4,507,500</u>	<u>\$ 567,550</u>	<u>\$ 590,589</u>	<u>\$4,484,461</u>	<u>\$ 618,470</u>

In September, 2008, the Hospital borrowed \$150,000 through the Guthrie County Rural Electric Cooperative under the Rural Economic Development Loan and Grant Program. The loan is non-interest bearing and is payable in twenty equal quarterly installments. The loan is collateralized by the Hospital's net revenues.

The Series 2006 Hospital Revenue Bonds were issued in May, 2006 in a principal amount up to \$2,200,000. The bonds carry an interest rate of 4.00% per annum through September 30, 2015. On September 30, 2015 and again on September 30, 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on those dates, provided however, that no adjusted interest rate shall be 2% higher or lower than the immediately preceding adjusted interest rate and no adjusted interest rate shall exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$40,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The Series 2009 Hospital Revenue Bonds were issued in September, 2009 in a principal amount up to \$3,200,000. The bonds carry an interest rate of 4.00% per annum through September 30, 2015. On September 30, 2015 and again on September 30, 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on those dates, provided however, that no adjusted interest rate shall be 2% higher or lower than the immediately preceding adjusted interest rate and no adjusted interest rate shall exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$80,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The combined annual debt service on the loan, bonds, and capital lease obligation is expected to require less than 50% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$784,000 and \$1,586,000, respectively.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE H - NON-CURRENT LIABILITIES - Continued

Under the terms of the bond resolution, the Hospital is required to maintain certain deposits with a bank. Such deposits are included with restricted assets in the financial statements. The bond resolution also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding.

Assets recorded under capital leases consist of major movable equipment items with totals as follows:

	<u>2013</u>	<u>2012</u>
Cost	\$ 578,305	\$ 578,305
Less: Accumulated Amortization	<u>202,407</u>	<u>86,746</u>
Net Book Value	<u>\$ 375,898</u>	<u>\$ 491,559</u>

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending June 30,	Long-Term Debt		Capital Leases		Total
	Principal	Interest	Principal	Interest	
2014	\$ 487,500	\$ 132,022	\$ 112,136	\$ 10,895	\$ 742,553
2015	480,000	112,822	115,924	7,107	715,853
2016	480,000	93,780	119,842	3,189	696,811
2017	480,000	74,422	30,588	170	585,180
2018	480,000	55,222	--	--	535,222
2019-2021	<u>1,080,000</u>	<u>55,244</u>	<u>--</u>	<u>--</u>	<u>1,135,244</u>
	<u>\$ 3,487,500</u>	<u>\$ 523,512</u>	<u>\$ 378,490</u>	<u>\$ 21,361</u>	<u>\$ 4,410,863</u>

NOTE I - EMPLOYEE RETIREMENT AND DEFINED BENEFIT PENSION PLAN

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% (5.95% beginning July 1, 2013) of their annual salary and the Hospital is required to contribute 8.67% (8.93% beginning July 1, 2013) of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011, were approximately \$536,600, \$471,300, and \$402,400, respectively, equal to the required contributions for each year.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE J - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the Hospital offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Hospital employees, and the retirees must pay the full cost of the health insurance premium equal to that charged for current employees. There are 90 active employees and no retirees currently covered by the health insurance plan.

Funding Policy: The Hospital does not set aside funds to pay for any OPEB liability. Any Hospital costs of an implicit health insurance premium rate subsidy are charged to expense in the year paid.

Net OPEB Obligation: Management of the Hospital considers any OPEB obligation, which may exist, to be immaterial. Therefore the Hospital has elected to not obtain an actuarial evaluation of the OPEB liability.

Generally accepted accounting principles, established under GASB Statement No. 45, require that an actuarial or alternative computation of a liability be completed. The independent auditor's report regarding the financial statements has been qualified as a result of not obtaining the required evaluation and not recording any potential material OPEB liability.

NOTE K - COMMITMENTS AND CONTINGENCIES

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Guthrie County Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three fiscal years.

The Hospital has been named as a defendant in a lawsuit. Legal counsel is unable to evaluate the eventual outcome of the lawsuit. Management believes that, should any liability eventually result, the Hospital's insurance coverage is adequate to cover any potential settlement. Therefore, no related liability has been accrued.

Notes Receivable

The notes receivable represent funds advanced under an agreement with a healthcare professional now practicing in the community. The agreement includes commitments by the healthcare professional to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the term of the commitments.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

Construction in Progress

The \$132,376 in construction in progress at June 30, 2013 is related to various small projects for which no material commitments exist as of the date of this report.

Subsequent Events

The Hospital has evaluated all subsequent events through September 20, 2013, the date the financial statements were available to be issued.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Budgetary Comparison Schedule
Year Ended June 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for interest, amortization, and net position differently for financial statement and budget purposes.

	Per Financial Statements			
	Unrestricted Fund	Restricted Fund	Total	
Amount raised by taxation	\$ 1,583,731	\$ --	\$ 1,583,731	
Other revenues	12,811,542	548,941	13,360,483	
Transfers in (out)	<u>546,578</u>	<u>(546,578)</u>	<u>--</u>	
	14,941,851	2,363	14,944,214	
Expenses	<u>14,763,174</u>	<u>--</u>	<u>14,763,174</u>	
Net	178,677	2,363	181,040	
Balance beginning of year	<u>9,851,755</u>	<u>241,072</u>	<u>10,092,827</u>	
Balance end of year	<u>\$ 10,030,432</u>	<u>\$ 243,435</u>	<u>\$ 10,273,867</u>	
	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 1,583,731	\$ --	\$ 1,583,731	\$ 1,529,337
Other revenues	<u>13,360,483</u>	<u>165,704</u>	<u>13,526,187</u>	<u>15,667,033</u>
	14,944,214	165,704	15,109,918	17,196,370
Expenses	<u>14,763,174</u>	<u>158,287</u>	<u>14,921,461</u>	<u>16,327,500</u>
Net	181,040	7,417	188,457	868,870
Balance beginning of year	<u>10,092,827</u>	<u>(263,701)</u>	<u>9,829,126</u>	<u>9,829,126</u>
Balance end of year	<u>\$ 10,273,867</u>	<u>\$(256,284)</u>	<u>\$ 10,017,583</u>	<u>\$ 10,697,996</u>

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>Percent To Total</u>	<u>Amount</u>	<u>Percent To Total</u>
In hospital - 30	\$ 1,577,204	58 %	\$ 1,155,439	65%
31 - 60	499,532	18	277,139	16
61 - 90	243,891	9	121,078	7
91 - 120	91,920	3	52,557	3
121 and over	330,454	12	170,393	9
	<u>2,743,001</u>	<u>100%</u>	<u>1,776,606</u>	<u>100%</u>
Allowance for doubtful accounts	375,000		198,300	
Allowance for contractual adjustments	<u>389,000</u>		<u>269,700</u>	
	<u>\$ 1,979,001</u>		<u>\$ 1,308,606</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Balance, beginning	\$ 198,300	\$ 150,900
Provision for bad debts	591,001	496,632
Recoveries of accounts previously written off	<u>521,238</u>	<u>268,707</u>
	1,310,539	916,239
Accounts written off	<u>935,539</u>	<u>717,939</u>
Balance, ending	<u>\$ 375,000</u>	<u>\$ 198,300</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Inventory/Prepaid Expense
June 30,

	<u>2013</u>	<u>2012</u>
<u>Inventory</u>		
Medical and surgical supplies	\$ 152,196	\$ 143,529
Laboratory	30,960	41,300
Pharmacy	102,300	106,803
Other	<u>19,219</u>	<u>19,219</u>
	<u>\$ 304,675</u>	<u>\$ 310,851</u>
 <u>Prepaid Expense</u>		
Insurance	\$ 18,029	\$ 17,819
Service contracts and dues	<u>213,905</u>	<u>194,449</u>
	<u>\$ 231,934</u>	<u>\$ 212,268</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Patient Service Revenue
Year ended June 30,

	2013	
	<u>Inpatient</u>	<u>Outpatient</u>
Daily Patient Services:		
Medical, surgical and obstetric	\$ 1,045,137	\$ --
Swing bed	--	--
	<u>1,045,137</u>	<u>--</u>
Other Nursing Services:		
Cardiac rehabilitation	--	174,088
Operating and recovery rooms	232,035	797,756
Emergency room	127,610	691,498
Central services and supply	946,049	237,397
Intravenous therapy	57,688	66,449
Observation	73,902	225,597
	<u>1,437,284</u>	<u>2,192,785</u>
Other Professional Services:		
Emergency room professional	48,148	377,161
Laboratory	349,600	2,028,825
Blood	12,468	34,420
Electrocardiology	13,837	98,489
Radiology	59,611	510,929
CT scan	125,777	932,382
Ultrasound	16,611	287,117
Mammography	--	258,807
Nuclear imaging	--	31,523
MRI	25,517	602,815
Pharmacy	411,945	678,307
Anesthesia	58,063	161,827
Respiratory therapy	213,339	243,645
Speech therapy	1,227	8,489
Physical therapy	78,684	818,954
Occupational therapy	3,125	119,678
Outpatient clinics	--	75,319
Diabetic education	--	15,778
Hospice	--	--
Clinic professional fees	--	--
Surgery professional fees	--	--
	<u>1,417,952</u>	<u>7,284,465</u>
	<u>\$ 3,900,373</u>	<u>\$ 9,477,250</u>

See Independent Auditor's Report.

	2013		2012
Swing Bed	Physician Services	Total	Total
\$ --	\$ --	\$ 1,045,137	\$ 1,014,940
318,184	--	318,184	327,549
<u>318,184</u>	<u>--</u>	<u>1,363,321</u>	<u>1,342,489</u>
--	--	174,088	99,988
5,758	--	1,035,549	1,221,183
3,633	--	822,741	794,922
21,914	--	1,205,360	955,924
11,722	--	135,859	110,252
--	--	299,499	317,138
<u>43,027</u>	<u>--</u>	<u>3,673,096</u>	<u>3,499,407</u>
--	--	425,309	386,380
99,684	30,206	2,508,315	2,423,436
2,481	--	49,369	43,943
999	--	113,325	144,408
11,140	--	581,680	538,043
20,693	--	1,078,852	1,011,181
4,255	--	307,983	323,244
--	--	258,807	273,030
--	--	31,523	21,644
6,433	--	634,765	587,606
250,569	29,596	1,370,417	1,278,666
1,767	--	221,657	258,065
171,352	--	628,336	709,522
3,767	--	13,483	28,504
128,031	--	1,025,669	1,042,325
29,184	--	151,987	130,308
--	--	75,319	73,180
--	--	15,778	23,413
36,554	--	36,554	12,704
--	823,602	823,602	554,087
1,750	450,993	452,743	370,607
<u>768,659</u>	<u>1,334,397</u>	<u>10,805,473</u>	<u>10,234,296</u>
<u>\$ 1,129,870</u>	<u>\$ 1,334,397</u>	<u>\$ 15,841,890</u>	<u>\$ 15,076,192</u>

GUTHRIE COUNTY HOSPITAL
Revenue and Related Adjustments
Year ended June 30,

	<u>2013</u>	<u>2012</u>
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 15,841,890	\$ 15,076,192
Contractual adjustments	(2,478,328)	(2,093,997)
Provision for bad debts	(591,001)	(496,632)
Charity care	(49,918)	(1,583)
	<u>\$ 12,722,643</u>	<u>\$ 12,483,980</u>
<u>Other Revenue</u>		
Dietary revenue	\$ 19,977	\$ 22,673
Congregate meals	45,719	41,800
Ancillary service coverage revenue	25,868	22,475
Outpatient clinic rental	34,087	33,671
Fitness center	54,217	56,283
Wellness revenue	4,232	3,720
Pharmacy student income	3,400	2,000
Miscellaneous income	35,559	7,170
	<u>\$ 223,059</u>	<u>\$ 189,792</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Administrative:		
Salaries and wages	\$ 94,372	\$ 90,314
Employee benefits	20,480	20,164
Supplies and other expense	<u>3,327</u>	<u>3,257</u>
	118,179	113,735
Medical, Surgical and Obstetric:		
Salaries and wages	1,012,502	958,671
Employee benefits	334,589	332,445
Supplies and other expense	<u>164,446</u>	<u>142,583</u>
	1,511,537	1,433,699
Cardiac Rehabilitation:		
Salaries and wages	74,216	73,007
Employee benefits	12,995	14,229
Supplies and other expense	<u>4,023</u>	<u>5,675</u>
	91,234	92,911
Operating and Recovery Rooms:		
Salaries and wages	163,704	165,310
Employee benefits	49,096	45,242
Purchased services	269	8,356
Professional fees	38,999	30,169
Supplies and other expense	<u>111,679</u>	<u>176,457</u>
	363,747	425,534
Emergency Room:		
Salaries and wages	260,932	265,610
Employee benefits	84,240	89,997
Supplies and other expense	<u>105,720</u>	<u>101,769</u>
	450,892	457,376

(continued next page)

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Central Services and Supply:		
Salaries and wages	\$ 91,752	\$ 87,737
Employee benefits	47,484	47,155
Supplies and other expense	<u>833,187</u>	<u>584,158</u>
	972,423	719,050
 Intravenous Therapy:		
Supplies and other expense	<u>5,444</u>	<u>4,871</u>
	<u>\$ 3,513,456</u>	<u>\$ 3,247,176</u>

SUMMARY

Salaries and wages	\$ 1,697,478	\$ 1,640,649
Employee benefits	548,884	549,232
Professional fees	38,999	30,169
Supplies and other expense	<u>1,228,095</u>	<u>1,027,126</u>
	<u>\$ 3,513,456</u>	<u>\$ 3,247,176</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Emergency Room Professional:		
Salaries and wages	\$ 590,146	\$ 576,839
Employee benefits	132,142	124,515
Professional fees	<u>32,122</u>	<u>107,397</u>
	754,410	808,751
Laboratory:		
Salaries and wages	268,711	245,154
Employee benefits	85,553	84,070
Professional fees	1,750	2,756
Supplies and other expense	<u>367,267</u>	<u>330,516</u>
	723,281	662,496
Blood:		
Blood	28,004	31,853
Supplies and other expense	<u>--</u>	<u>819</u>
	28,004	32,672
Electrocardiology:		
Salaries and wages	12,366	12,249
Employee benefits	3,472	2,843
Supplies and other expense	<u>14,793</u>	<u>544</u>
	30,631	15,636
Radiology:		
Salaries and wages	206,441	196,515
Employee benefits	76,082	66,368
Supplies and other expense	<u>101,452</u>	<u>98,075</u>
	383,975	360,958
CT Scan:		
Salaries and wages	19,520	22,114
Employee benefits	5,282	7,000
Supplies and other expense	<u>85,505</u>	<u>66,685</u>
	110,307	95,799
Ultrasound:		
Salaries and wages	8,285	8,003
Employee benefits	2,513	3,201
Supplies and other expense	<u>61,047</u>	<u>62,361</u>
	71,845	73,565

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Mammography:		
Salaries and wages	\$ 7,439	\$ 8,032
Employee benefits	2,264	2,603
Supplies and other expense	<u>54,365</u>	<u>45,908</u>
	64,068	56,543
Nuclear Imaging:		
Supplies and other expense	17,304	10,605
MRI:		
Supplies and other expense	82,907	77,063
Pharmacy:		
Salaries and wages	298,156	274,741
Employee benefits	84,823	82,485
Professional fees	34,941	6,616
Drugs	332,268	355,923
Supplies and other expense	<u>26,966</u>	<u>21,835</u>
	777,154	741,600
Anesthesia:		
Professional fees	183,390	208,590
Supplies and other expense	<u>729</u>	<u>1,263</u>
	184,119	209,853
Respiratory Therapy:		
Salaries and wages	138,855	141,094
Employee benefits	37,355	34,469
Oxygen, supplies and other expense	<u>76,499</u>	<u>76,802</u>
	252,709	252,365
Speech Therapy:		
Professional fees	7,578	18,363
Supplies and other expense	<u>--</u>	<u>112</u>
	7,578	18,475
Physical Therapy:		
Salaries and wages	313,773	301,661
Employee benefits	104,201	99,165
Supplies and other expense	<u>21,086</u>	<u>21,967</u>
	439,060	422,793
Occupational Therapy:		
Professional fees	57,380	40,740
Supplies and other expense	<u>242</u>	<u>205</u>
	57,622	40,945

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Medical Records:		
Salaries and wages	\$ 170,475	\$ 164,342
Employee benefits	71,889	70,278
Supplies and other expense	<u>29,306</u>	<u>35,620</u>
	271,670	270,240
Social Services:		
Salaries and wages	30,501	28,800
Employee benefits	12,929	11,508
Supplies and other expense	<u>3,919</u>	<u>534</u>
	47,349	40,842
Outpatient Clinics:		
Salaries and wages	117,138	110,874
Employee benefits	23,070	26,610
Supplies and other expense	<u>14,229</u>	<u>15,433</u>
	154,437	152,917
Fitness Center:		
Salaries and wages	40,997	41,167
Employee benefits	11,470	15,904
Supplies and other expense	<u>14,996</u>	<u>7,788</u>
	67,463	64,859
Diabetic Education:		
Salaries and wages	12,536	22,511
Employee benefits	1,711	4,058
Supplies and other expense	<u>737</u>	<u>1,964</u>
	14,984	28,533
	<u>\$ 4,540,877</u>	<u>\$ 4,437,510</u>

SUMMARY

Salaries and wages	\$ 2,235,339	\$ 2,154,096
Employee benefits	654,756	635,077
Professional fees	317,161	384,462
Supplies and other expense	<u>1,333,621</u>	<u>1,263,875</u>
	<u>\$ 4,540,877</u>	<u>\$ 4,437,510</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Physician Services Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Physician Service:		
Salaries and wages	\$ 699,006	\$ 360,837
Employee benefits	141,778	71,374
Professional fees	--	14,605
Supplies and other expense	<u>69,708</u>	<u>13,517</u>
	910,492	460,333
Nursing Service:		
Salaries and wages	134,587	134,706
Employee benefits	45,413	42,278
Medical supplies	45,300	26,730
Supplies and other expense	<u>37,969</u>	<u>55,798</u>
	263,269	259,512
Business Office:		
Salaries and wages	129,705	127,486
Employee benefits	53,480	55,315
Supplies and other expense	<u>99,255</u>	<u>118,725</u>
	282,440	301,526
Occupancy Costs:		
Rent	5,541	5,541
Utilities	<u>36,187</u>	<u>32,313</u>
	41,728	37,854
Surgery Services:		
Salaries and wages	39,733	38,057
Employee benefits	45,619	28,272
Professional fees	269,976	295,641
Supplies and other expense	<u>57,454</u>	<u>48,405</u>
	412,782	410,375
	<u>\$ 1,910,711</u>	<u>\$ 1,469,600</u>

SUMMARY

Salaries and wages	\$ 1,003,031	\$ 661,086
Employee benefits	286,290	197,239
Professional fees	269,976	310,246
Supplies and other expense	<u>351,414</u>	<u>301,029</u>
	<u>\$ 1,910,711</u>	<u>\$ 1,469,600</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
General Service Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Dietary:		
Salaries and wages	\$ 172,194	\$ 164,121
Employee benefits	91,770	95,610
Food	107,779	111,077
Supplies and other expense	<u>30,779</u>	<u>24,137</u>
	402,522	394,945
Operation of Plant:		
Salaries and wages	235,022	213,553
Employee benefits	60,183	55,698
Electricity	154,769	136,806
Gas	90,965	85,680
Supplies and other expense	<u>112,311</u>	<u>110,005</u>
	653,250	601,742
Housekeeping:		
Salaries and wages	130,879	130,635
Employee benefits	72,593	67,410
Supplies and other expense	<u>24,916</u>	<u>31,438</u>
	228,388	229,483
Laundry and Linen:		
Purchased services	--	24,443
Supplies and other expense	<u>1,934</u>	<u>829</u>
	1,934	25,272
	<u>\$ 1,286,094</u>	<u>\$ 1,251,442</u>

SUMMARY

Salaries and wages	\$ 538,095	\$ 508,309
Employee benefits	224,546	218,718
Supplies and other expense	<u>523,453</u>	<u>524,415</u>
	<u>\$ 1,286,094</u>	<u>\$ 1,251,442</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Fiscal and Administrative:		
Salaries and wages	\$ 720,217	\$ 663,199
Employee benefits	216,793	214,607
Advertising	44,321	38,803
Telephone	28,519	27,030
Supplies and minor equipment	35,279	31,435
Collection expense	67,640	55,272
Computer maintenance	59,558	50,174
Education and meetings	21,479	25,635
Professional fees	89,454	92,191
Printing and postage	6,150	5,937
Purchased services	67,880	74,138
Recruiting	218	67,566
Dues and subscriptions	17,212	16,183
	<u>1,374,720</u>	<u>1,362,170</u>
Admissions Office:		
Salaries and wages	80,267	73,864
Employee benefits	32,740	31,917
Supplies and other expense	8,027	8,389
	<u>121,034</u>	<u>114,170</u>
Information Systems:		
Salaries and wages	162,725	151,435
Employee benefits	48,992	46,080
Supplies and other expense	76,540	65,525
	<u>288,257</u>	<u>263,040</u>
Employee Welfare:		
Salaries and wages	98,564	88,958
Employee benefits	27,128	26,205
Group health and life benefit	90,780	91,269
Workers' compensation insurance	87,513	75,784
Unemployment expense	17,970	20,598
Supplies and other expense	38,995	40,460
	<u>360,950</u>	<u>343,274</u>
Insurance:		
Liability and property insurance	<u>127,861</u>	<u>101,091</u>
	<u>\$ 2,272,822</u>	<u>\$ 2,183,745</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
<u>SUMMARY</u>		
Salaries and wages	\$ 1,061,773	\$ 977,456
Employee benefits	560,911	546,920
Professional fees	89,454	92,191
Supplies and other expense	<u>560,684</u>	<u>567,178</u>
	<u>\$ 2,272,822</u>	<u>\$ 2,183,745</u>

<u>SUMMARY OF EXPENSES</u>		
Salaries and wages	\$ 6,535,716	\$ 5,941,596
Employee benefits	2,275,387	2,147,186
Professional fees	715,590	817,068
Supplies and other expense	<u>3,997,267</u>	<u>3,683,623</u>
	<u>\$ 13,523,960</u>	<u>\$ 12,589,473</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant or Program Number</u>
U.S. Department of Commerce Indirect Program Central Iowa Hospital Corporation ARRA-Broadband Technology Opportunities Program	11.557	19-43-B10575
U.S. Department of Health and Human Services Indirect Program Iowa Department of Public Health National Bioterrorism Hospital Preparedness Program	93.889	5883BHP71
U.S. Department of Homeland Security and Emergency Management Indirect Program Iowa Department of Homeland Security and Emergency Management Hazard Mitigation Grant Program	97.039	HMGP-DR-1930-0017-01
Total Expenditures of Federal Awards		

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Guthrie County Hospital, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.

<u>Period of Grant</u>	<u>Federal Expenditures</u>
09/01/10 to 08/31/13	\$ 482,047
07/01/12 to 06/30/13	16,220
04/04/12 to 12/04/12	<u>63,220</u>
	<u>\$ 561,487</u>

GUTHRIE COUNTY HOSPITAL
Comparative Statistics
Year ended June 30,

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Acute Care:					
Admissions	336	307	409	363	357
Discharges	330	307	407	363	356
Patient days	1,092	1,015	1,197	1,046	1,033
Average length of stay	3.31	3.31	2.94	2.88	2.90
Average occupied beds	3.0	2.8	3.3	2.9	2.8
Swing Bed Program:					
Admissions	152	140	182	162	160
Discharges	150	141	182	161	163
Patient days	901	966	1,156	1,128	1,180
Combined Average Occupied Beds	5.5	5.4	6.4	6.0	6.1
Outpatient Occasions of Service	37,334	35,075	34,368	31,555	30,356

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Statements of Net Position
June 30,

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash	\$ 536,512	\$ 1,939,153
Patient receivables, net	1,979,001	1,308,606
Other receivables	181,715	22,326
Inventory	304,675	310,851
Prepaid expense	231,934	212,268
Other current assets	20,541	22,008
Estimated third-party payor settlements	128,900	480,500
Succeeding year property tax receivable	1,539,000	1,529,000
Internally designated assets	<u>244,241</u>	<u>241,842</u>
Total current assets	5,166,519	6,066,554
Other Assets:		
Capital assets, net	11,668,217	10,825,265
Notes receivable	67,857	81,428
Other	<u>53,987</u>	<u>61,404</u>
Total other assets	<u>11,790,061</u>	<u>10,968,097</u>
Total assets	<u>\$ 16,956,580</u>	<u>\$ 17,034,651</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 599,636	\$ 618,470
Accounts payable	655,554	362,405
Accrued expenses	621,962	565,688
Estimated third-party payor settlements	--	--
Accrued interest	207	270
Deferred succeeding year property tax	<u>1,539,000</u>	<u>1,529,000</u>
Total current liabilities	<u>3,416,359</u>	<u>3,075,833</u>
Long-Term Debt, Net	<u>3,266,354</u>	<u>3,865,991</u>
Total liabilities	6,682,713	6,941,824
Net Position	<u>10,273,867</u>	<u>10,092,827</u>
Total liabilities and net position	<u>\$ 16,956,580</u>	<u>\$ 17,034,651</u>

See Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,228,512	\$ 398,618	\$ 1,426,524
1,461,186	1,242,396	1,167,168
470,178	23,957	18,842
294,031	206,368	197,114
144,225	115,649	96,163
23,128	19,465	27,490
413,000	213,000	--
1,430,000	1,372,000	1,250,400
<u>243,116</u>	<u>242,882</u>	<u>357,774</u>
5,707,376	3,834,335	4,541,475
11,070,142	10,326,982	8,135,860
100,000	50,000	22,500
<u>68,820</u>	<u>77,168</u>	<u>32,443</u>
<u>11,238,962</u>	<u>10,454,150</u>	<u>8,190,803</u>
<u>\$ 16,946,338</u>	<u>\$ 14,288,485</u>	<u>\$ 12,732,278</u>
\$ 510,000	\$ 510,000	\$ 190,000
601,593	635,694	578,356
566,920	526,959	487,434
--	--	444,000
--	--	--
<u>1,430,000</u>	<u>1,372,000</u>	<u>1,250,400</u>
3,108,513	3,044,653	2,950,190
<u>3,997,500</u>	<u>2,407,500</u>	<u>1,817,500</u>
7,106,013	5,452,153	4,767,690
<u>9,840,325</u>	<u>8,836,332</u>	<u>7,964,588</u>
<u>\$ 16,946,338</u>	<u>\$ 14,288,485</u>	<u>\$ 12,732,278</u>

GUTHRIE COUNTY HOSPITAL
Comparative Statements of Revenues, Expenses and Changes in Net Position
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Patient Service Revenue	\$ 15,841,890	\$ 15,076,192
Adjustments to Patient Service Revenue	<u>(3,119,247)</u>	<u>(2,592,212)</u>
Net Patient Service Revenue	12,722,643	12,483,980
Other Revenue	<u>223,059</u>	<u>189,792</u>
Total Revenue	12,945,702	12,673,772
Expenses	<u>14,763,174</u>	<u>13,776,651</u>
Operating Loss	(1,817,472)	(1,102,879)
Non-Operating Revenues, Net	<u>1,449,571</u>	<u>1,349,838</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	(367,901)	246,959
Capital Grants and Contributions	<u>548,941</u>	<u>5,543</u>
Increase in Net Position	<u>\$ 181,040</u>	<u>\$ 252,502</u>

See Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 14,454,119	\$ 12,909,830	\$ 12,402,605
(2,763,464)	(2,554,202)	(3,213,286)
11,690,655	10,355,628	9,189,319
<u>201,746</u>	<u>194,951</u>	<u>198,102</u>
11,892,401	10,550,579	9,387,421
<u>12,938,786</u>	<u>11,087,308</u>	<u>10,274,513</u>
(1,046,385)	(536,729)	(887,092)
<u>1,288,757</u>	<u>1,249,633</u>	<u>1,257,981</u>
242,372	712,904	370,889
<u>761,621</u>	<u>158,840</u>	<u>327,847</u>
<u>\$ 1,003,993</u>	<u>\$ 871,744</u>	<u>\$ 698,736</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

We have audited the financial statements of Guthrie County Hospital as of and for the year ended June 30, 2013, and have issued our report thereon dated September 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guthrie County Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Guthrie County Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
Guthrie County Hospital

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Current Audit Findings and Questioned Costs as item 13-II-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guthrie County Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Current Audit Findings and Questioned Costs.

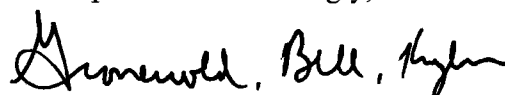
Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Response to Findings

Guthrie County Hospital's responses to findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. While we have expressed our conclusions on the Hospital's responses, we did not audit the Hospital's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Hospital's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 - W. P. C.

Atlantic, Iowa
September 20, 2013

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

Report on Compliance for Major Federal Program

We have audited the Guthrie County Hospital compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended June 30, 2013. The Hospital's major federal program is identified in the summary of the independent auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the Hospital's management.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Hospital's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination on the Hospital's compliance.

To the Board of Trustees
Guthrie County Hospital

Opinion on Each Major Federal Program

In our opinion, Guthrie County Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Guthrie County Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Guthrie County Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 13-III-A. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Armstrong, Bell, Hyman & Co. P.C.

Atlantic, Iowa
September 20, 2013

GUTHRIE COUNTY HOSPITAL

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2013

PART I: Summary of the Independent Auditor's Results

Financial Statements

- (a) Type of auditor's report issued:
- A qualified opinion was issued on the financial statements.
- (b) Internal control over financial reporting:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (c) Noncompliance material to financial statements noted? yes X no

Federal Awards

- (d) Internal control over major programs:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (e) Type of auditor's report issued on compliance for major programs:
- Unmodified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133? X yes no
- (g) Identification of major programs:
- Department of Commerce - Broadband Technology Opportunities Program:
- CFDA Number 11.557 - ARRA
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditor qualify as low-risk auditee? yes X no

GUTHRIE COUNTY HOSPITAL

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2013.

SIGNIFICANT DEFICIENCIES:

13-II-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital. This deficiency is common among most small rural hospitals.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2013.

SIGNIFICANT DEFICIENCIES:

CFDA Number 11.557 - ARRA - Broadband Technology Opportunities Program
Pass-through Numbers: 19-43-B10575

Federal Award Year: 2011
U.S. Department of Commerce
Passed through the Central Iowa Hospital Corporation

13-III-A Segregation of Duties over Federal Revenues and Expenditures - The Hospital did not properly segregate custody, record-keeping and reconciling functions for revenues and expenditures, including those related to Federal programs. See audit finding 13-II-A.

GUTHRIE COUNTY HOSPITAL

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

13-IV-A Certified Budget - Hospital expenditures during the year ended June 30, 2013 did not exceed the amount budgeted.

13-IV-B Questionable Expenditures - During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Various Organizations	Employee recognition banquet	\$ 2,540

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

13-IV-C Travel Expense - No expenditures of Hospital money for travel expenses of spouses of Hospital officials or employees were noted.

13-IV-D Business Transactions - No business transactions between the Hospital and Hospital officials or employees were noted.

13-IV-E Board Minutes - No transactions requiring Board approval were noted which had not been approved.

13-IV-F Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Hospital's investment policy were noted.

* * *